

Message Text

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ACTION PM-04

INFO OCT-01 EA-07 ISO-00 NSC-05 SP-02 SS-15 L-03 MC-02

CIAE-00 INR-07 NSAE-00 ACDA-07 OMB-01 IGA-02 /056 W
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INFO SECDEF WASHDC//DSAA/ISA(SA)//

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DA WASHDC//DALO-IL//

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CINCPAC FOR POLAD

JOINT EMBASSY/COMUSKOREA MESSAGE

E.O. 11652: GDS

TAGS: MASS MPOL KS US

SUBJ: REQUEST FOR AUTHORITY TO PRODUCE VULCAN AIR DEFENSE SYSTEM

REF: CJUSMAG-K DTG 190824Z MAY 76

1. REFTEL REPORTED FORMAL ROKG REQUEST FOR USG AUTHORITY TO PRODUCE 500 VULCAN 20MM AIR DEFENSE SYSTEMS (VADS) IN KOREA DURING CY 77 THROUGH CY 80, OUTLINED PROPOSED PRODUCTION SCHEDULE AND DEPLOYMENT INTENTIONS, AND EXPRESSED COUNTRY TEAM SUPPORT FOR PROPOSAL, WITH RECOMMENDATION FOR PROMPT PROCESSING AND APPROVAL OF KOREAN REQUEST. AS NO REPLY RECEIVED TO DATE, WE WISH TO REITERATE OUR SUPPORT FOR PROPOSAL, AND OFFER SOME CONSOLIDATED BACKGROUND INFORMATION WHICH MAY HELP DISPEL AMBIGUITIES WHICH APPARENTLY HAVE DEVELOPED RE PROGRAM.

2. VADS WAS ORIGINALLY DESIGNED AND DEVELOPED BY GENERAL ELECTRIC (GE) DURING 1963-1967 PERIOD IN RESPONSE TO U.S. ARMY REQUIREMENTS FOR FORWARD AREA LOW ALTITUDE AIR DEFENSE AGAINST SUBSONIC TARGETS. THREAT ANALYSIS FOR ROK IN 1970 RESULTED IN ESTABLISHMENT

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OF REQUIREMENT IN JSOP 73-80 FOR 528 VADS FOR REPUBLIC. AFTER

FURTHER COMPREHENSIVE STUDY AIR DEFENSE NEEDS, INCLUDING ESSENTIAL SUPPLEMENTS TO MEDIUM AND HIGH-ALTITUDE COVERAGE AFFORDED BY HAWK AND NIKE-HERCULES, VADS REQUIREMENT WAS REVISED TO 588 SYSTEMS, WHICH REMAINS RECOGNIZED AS CURRENT NEED. GRANT AID PROVIDED 88 VADS TO KOREA DURING CY72-CY74, LEAVING "BALANCE" OF 500.

3. KOREANS PURCHASED PRODUCTION TECHNICAL DATA PACKAGE (TDP) FOR VULCAN FROM U.S. ARMY, WITH USG APPROVAL, VIA FMS CASE DA KOREA UDB, ACCEPTED OCTOBER 1973. THEY ALSO PURCHASED PROCESS DRAWINGS FOR VULCAN BARREL VIA FMS CASE DA KOREA UEY, ACCEPTED JULY 1974. DATA FURNISHED UNDER THESE TWO CASES PROVIDED U.S. ARMY-OWNED KNOW-HOW, AND NO GE PROPRIETARY INFORMATION WAS INVOLVED. UNDER CASE UDB, KOREANS WERE GRANTED USG PERMISSION TO USE TDP FOR PRODUCTION OF REPAIR PARTS, SUCH AS BARRELS, AND FOR STUDY AND EVALUATION, INCLUDING PROTOTYPING, FOR POSSIBLE IN-COUNTRY PRODUCTION. AS REFTEL REQUEST MAKES EVIDENT, KOREANS FULLY AWARE USG APPROVAL REQUIRED BEFORE THEY MAY LEGALLY PRODUCE END ITEMS FOR USE, AND THEY ALSO KNOW THIRD COUNTRY SALES ARE SPECIFICALLY PROHIBITED WITHOUT USG APPROVAL. KOREANS ARE NOT LIABLE TO PROCEED WITH PRODUCTION WITHOUT OUR AUTHORIZATION, BUT WOULD FEEL SERIOUSLY MISLED AND WOULD CERTAINLY QUESTION THE NATURE OF OUR SECURITY PARTNERSHIP, IF APPROVAL WERE WITHHELD.

4. AS EARLY AS JULY 1974, ROKG HAD EXPRESSED PLANS FOR CO-PRODUCTION OF VADS, AND IN NOVEMBER 1974, GE MADE PRELIMINARY PROPOSAL TO KOREANS FOR CO-PRODUCTION PROGRAM. WE INCLUDED VULCAN CO-PRODUCTION IN OUR FY77-81 POM AND FY78-82 MSAP. HOWEVER, DURING 1974-1975, WHILE WE HEARD NO WORD OF DISCOURAGEMENT RE PROPOSED PROGRAM FROM EITHER WASHINGTON OR GE, PM/MC APPARENTLY TURNED DOWN PROJECT TWICE.

5. AT SAME TIME, OVER PAST TWO YEARS, ROK AGENCY FOR DEFENSE DEVELOPMENT (ADD), WORKING WITH LOCAL INDUSTRIAL FIRMS AND USING BOTH TDP AND REVERSE ENGINEERING, HAS DONE WHAT APPEARS TO BE VERY CREDITABLE JOB PROTOTYPING VULCAN CANNON ASSEMBLY, CARRIAGE AND MOUNT. ADD HAS NOT PROTOTYPED M61 SIGHT, WHICH WILL PROBABLY HAVE TO BE PURCHASED, OR AN/VPS-2 RADAR, WHICH MAY EITHER BE PURCHASED OR CO-PRODUCED HERE.

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6. THUS, AT THIS POINT IN PRODUCTION EFFORT, ROK SEEKS TO HAVE GE PROVIDE TECHNICAL ASSISTANCE, AND ACT AS PURCHASING AGENT FOR SUBCONTRACTOR-SUPPLIED PARTS BEYOND KOREAN PRODUCTION CAPABILITY, WHILE ROK WILL ASSEMBLE AND PRODUCE PARTS, LESS THOSE NOTED ABOVE, IN COUNTRY. GE POSITION IN PAST HAS BEEN SOMEWHAT AMBIGUOUS, WITH COMPANY CLEARLY PREFERRING TO SEEL ASSEMBLED VULCAN TO ROK, BUT, DURING RECENT VISIT HERE OF MR. ARTHUS BOYD, GE INTERNATIONAL MARKETING MANAGER, IT BECAME CLEAR THAT GE HAS

ADDRESSED REALITIES OF SITUATION, AND NOW SEEKS PARTICIPATE IN TECHNICAL ASSISTANCE AGREEMENT/MANUFACTURING LICENSE TO ASSIST ROK PRODUCTION, THOUGH BOYD UNDERLINED FACT HE EXPECTED "HARD BARGAINING" WITH KOREANS RE SCOPE AND COST OF GE "PACKAGE", ONCE SUCH UNDERTAKING APPROVED BY WASHINGTON AGENCIES.

7. TECHNICAL ASSISTANCE WHICH GE CAN PROVIDE ROK IS VALUABLE AND NECESSARY FOR AN EFFICIENT AND SUCCESSFUL PRODUCTION PROGRAM. ALL VADS TO BE PRODUCED ARE FOR USE ONLY IN ROK, ARE AN ESSENTIAL ELEMENT OF KOREAN AIR DEFENSES, AND INVOLVE NO USG FINANCING, EITHER GRANT OR CREDIT. ESTABLISHMENT OF PRODUCTION LINE FOR 500 VULCAN SYSTEMS NOW IN KOREAN FIP AND FOLLOW-ON IS ECONOMICALLY SOUND. PRODUCTION FACILITY WOULD NOT BE HIGHLY SPECIALIZED, WOULD PRODUCE REPAIR PARTS AND SUBASSEMBLIES FOR VULCAN, AND COULD BE CONVERTED IN PART OR WHOLE TO SUPPORT OTHER SYSTEMS UPON COMPLETION OR PHASE-DOWN OF VULCAN PRODUCTION. MAJOR FOREIGN EXCHANGE (FX) SAVINGS OF ABOUT 60 PERCENT (I.E., WELL OVER \$30 MILLION) RESULTING FROM IN-COUNTRY PRODUCTION OF SELECTED HARDWARE AND ASSEMBLY COULD BE APPLIED TO OTHER MUTUALLY AGREED FIP PRIORITY ITEMS.

8. MR. BOYD SAID THAT GE WILL BE IN TOUCH WITH APPROPRIATE WASHINGTON AGENCIES TO SEEK APPROVAL ITS ASSISTANCE PLANS. WE STRONGLY URGE THAT PROPOSAL BE GIVEN PROMPT CONSIDERATION AND APPROVAL, ENABLING GE TO START NEGOTIATIONS WITH KOREANS RE TECHNICAL ASSISTANCE, THUS ALLOWING KOREANS TO BEGIN PRODUCTION VADS AS SOON AS PRACTICABLE IN ORDER TO FILL ACKNOWLEDGED GAP IN REPUBLIC'S AIR DEFENSES.

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